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February 22, 2018

**VIA ELECTRONIC DELIVERY**

The Honorable Jocelyn G. Boyd  
Chief Clerk/Administrator  
Public Service Commission of South Carolina  
101 Executive Center Drive  
Columbia, South Carolina 29210

RE: Petition of South Carolina Electric & Gas Company for an Accounting  
Order Regarding Interest Rate Swap Contracts  
Docket No. 2013-382-E

Dear Ms. Boyd:

By Order No. 2013-776, dated November 8, 2013, issued in Docket No. 2013-382-E, the Public Service Commission of South Carolina ("Commission") authorized South Carolina Electric & Gas Company ("SCE&G") to utilize any gains from the settlement of interest rate derivative instruments ("swaps") for the benefit of its customers through offsetting fuel costs or interest expense. With respect to losses from the settlement of swaps, the Commission authorized SCE&G to defer the cost as a regulatory asset and amortize the cost over the life of the associated debt issuance. In doing so, the Commission also required SCE&G, upon the settlement of the swaps in which SCE&G employs this regulatory accounting treatment, to inform the Commission and the South Carolina Office of Regulatory Staff ("ORS") of the swap settlements and how any realized gains or losses are to be applied.

By this letter and in compliance with Order No. 2013-776, SCE&G hereby informs the Commission that, in December 2017, SCE&G settled eight interest rate swaps at an aggregate cost of \$39,001,631. Pursuant to Commission authorization, this cost has been deferred as a regulatory asset. Proposed treatment for this regulatory asset is addressed in the Joint Petition filed on January 12, 2018, in Docket No. 2017-370-E. Please see Paragraph 57(c)(i) of the Joint Petition (for treatment under the Customer Benefits Plan); Paragraph 6 of Exhibit 10 to the Joint Petition (for treatment under the No Merger Benefits Plans); and Paragraph 5(a) of Exhibit 11 of the Joint Petition (for treatment under the Base Request).<sup>1</sup>

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<sup>1</sup> Under either the Customer Benefits Plan (see Section 57(c)(i) of the Joint Petition) or the No Merger Benefits Plan (see Paragraph 6 of Exhibit 10 of the Joint Petition), SCE&G does not plan to seek recovery of these amounts. Under the Base Request (see Paragraph 5 of Exhibit 11 of the Joint

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SCE&G further informs the Commission that, from February 8, 2018, to February 16, 2018, and because planned debt issuances and potential refinancings may be unnecessary, it settled six (6) additional interest rate swaps at an aggregate realized gain of \$115,238,147, strengthening SCE&G's short term liquidity position. Of this amount, \$1,498,875 is included in the proposed treatment addressed in the Joint Petition filed on January 12, 2018. SCE&G will apply the remaining gain of \$113,739,272 to benefit customers through offsetting base fuel costs in Docket No. 2018-2-E, thereby lowering the undercollected base fuel cost balance at issue in that particular proceeding.

SCE&G's use of swaps to manage interest rate risk is designed to mitigate the customers' exposure to interest rate volatility.

By copy of this letter and in compliance with Order No. 2013-776, we are also providing ORS with this information.

**If you have any questions, please advise.**

Very truly yours,



**Matthew W. Gissendanner**

MWG/kms

cc: Dawn Hipp  
Jeffrey M. Nelson, Esquire  
(both via electronic mail and U.S. First-Class Mail)

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Petition) SCE&G would seek authorization to begin amortizing the costs over 50 years upon issuance of the order in Docket No. 2017-370-E.